



**QUARTERLY UPDATE  
TO THE LEGISLATURE**

**MEDI-CAL MANAGED CARE PROGRAM**

**July through September 2011**

**Department of Health Care Services  
Medi-Cal Managed Care Division**

## TABLE OF CONTENTS

A. Purpose of the Update.....	1
B. Agnews and Alameda Alliance for Health.....	1
C. Avoidable Emergency Room Visits .....	2
D. AB 1422 Gross Premiums Tax Sunset Extension.....	2
E. Risk Adjusted Capitation Rates.....	2
F. Key Activities on Medi-Cal Managed Care Expansion.....	3
Attachment 1: Update of Expansion Implementation Dates and Managed Care Models .....	4

## **A. PURPOSE OF THE REPORT**

The Budget Act of 2005 authorized the Department of Health Care Services (DHCS) to expand the Medi-Cal Managed Care Program into 13 new counties: El Dorado, Imperial, Kings, Lake, Madera, Marin, Merced, Mendocino, Placer, San Benito, San Luis Obispo, Sonoma, and Ventura.

Beginning January 1, 2006, DHCS was required to provide quarterly updates to the policy and fiscal committees of the Legislature on DHCS's core activities to improve the Medi-Cal Managed Care Program and to expand into the 13 new counties.

The updates shall include:

- Progress or key milestones and objectives to implement changes to the existing program;
- Submittal of State Plan Amendments (SPAs) to the Centers for Medicare and Medicaid Services (CMS);
- Submittal of any federal waiver documents; and
- Applicable key functions related to the effort to expand the Medi-Cal Managed Care Program.

DHCS is currently undertaking or has completed the actions listed in the following report to enhance and improve the Medi-Cal Managed Care Program. The report is a condensed version of previous reports and highlights the changes or additions from the previous report which are shown in *italics* for emphasis.

## **B. AGNEWS AND ALAMEDA ALLIANCE FOR HEALTH**

DHCS finalized its work with the Department of Developmental Services (DDS), Bay Area Regional Centers, Agnews Developmental Center (Agnews), Alameda Alliance for Health (AAH), Santa Clara Family Health Plan (SCFHP), and Health Plan of San Mateo (HPSM) to complete the transition of approximately 230 patients formerly residing at Agnews, who required specialized health care as they moved into community homes.

In June 2011, AAH accepted a full-risk capitation rate retroactive to January 1, 2008. *On September 26, 2011, DHCS received final approval of the contract from CMS (CMS approval letter dated September 22, 2011).* DHCS incorporated the rates into AAH's contract and is currently issuing recoupment procedures to the health plan.

### **C. AVOIDABLE EMERGENCY ROOM VISITS**

DHCS is working collaboratively with Medi-Cal managed care health plans to reduce avoidable visits to the emergency room (ER). An avoidable ER visit is a visit that is more appropriately managed by and/or referred to a PCP through an office or clinic setting. Health plans have worked collaboratively to implement two statewide interventions: a health education campaign and a health plan collaboration with a selected network hospital.

*Health plan activities to reduce avoidable ER visits for calendar year (CY) 2009 are summarized in the ER Collaborative report scheduled for release by the External Quality Review Organization (EQRO) in mid-October 2011. Health plans are currently documenting their activities to reduce avoidable ER visits for CY 2010. These reports are due to Medi-Cal Managed Care Division (MMCD) by the end of October 2011. The EQRO will analyze CY 2007 through CY 2010 plan-specific reports to identify patterns of success and interventions that had significant impacts on reducing avoidable ER visits during the life of the collaborative. A final ER Collaborative report will be released during summer 2012.*

### **D. ASSEMBLY BILL 1422 GROSS PREMIUMS TAX SUNSET EXTENSION**

Assembly Bill (AB) 1422 (Chapter 157, Statutes of 2009) added Medi-Cal managed care health plans to the list of insurers subject to California's gross premiums tax, or Managed Care Organization (MCO) tax, a 2.35 percent tax on total operating revenue. The proceeds from this tax are appropriated to DHCS for the Medi-Cal Managed Care Program and to the Managed Risk Medical Insurance Board for the Healthy Families Program (HFP). The bill increases premiums paid by HFP enrollees, and allows the California Children and Families Commission to transfer monies among its various funds.

The bill took effect retroactively to January 1, 2009. SB 208 (Chapter 714, Statutes of 2010) extended the sunset date of AB 1422 from January 1, 2011 to June 30, 2011. *State Budget trailer bill ABX1 21 (Chapter 11, Statutes of 2011) extended the sunset date from June 30, 2011 to June 30, 2012.*

### **E. RISK- ADJUSTED CAPITATION RATES**

For rate years beginning in State Fiscal Year 2009-10, DHCS implemented maternity supplemental payments and risk-adjusted capitation rates for health plans contracting in counties that provide health care under the Two-Plan Model and Geographic Managed Care model of managed care. The maternity supplemental payments to health plans were in addition to monthly capitated payments and were based on health plan reports of delivery events.

Capitation rates were risk-adjusted to match each health plan's projected costs to their capitated payments more effectively. To calculate the final capitation rates, the final adjusted risk scores were applied to the developed county average capitation rates. For the first and second years, risk adjustment was phased in using a rate comprised of 20 percent risk-adjusted county average rates and 80 percent health plan-specific rates. *For the third year, risk adjustment will be phased in using a rate comprised of 25 percent risk-adjusted county average rates and 75 percent health plan-specific rates.*

## **F. KEY ACTIVITIES ON MEDI-CAL MANAGED CARE EXPANSION**

### Information to Health Plans and Expansion Counties

DHCS provides expansion updates to health plans on a quarterly basis through meetings with health plan Chief Executive Officers and Medical Directors. DHCS provides similar updates to the MMCD Advisory Group.

Recent developments include:

- Partnership HealthPlan of California (PHC) expanded its operations into both Marin and Mendocino counties July 1, 2011 under the County Organized Health Systems (COHS) model.
- The Gold Coast Health Plan (named by the Ventura County Managed Care Commission, implemented a new COHS health plan in Ventura County on July 1, 2011.
- Following PHC's two expansions into Marin and Mendocino on July 1, 2011, and the expansion into Sonoma County on October 1, 2009, PHC requested time to stabilize operations before taking on another expansion effort. PHC continues discussions with DHCS regarding expansion into Lake County; however, the Lake County expansion is currently on hold and a revised expansion date is yet to be determined.

**Attachment 1**  
**Medi-Cal Managed Care Division (MMCD)**  
**Update of Expansion Implementation Dates**  
**and Managed Care Models**

County	Original Implementation Date	Revised Implementation Date	Managed Care Model
Fresno	10/1/07	3/1/2011 (Completed)	Conversion to Tri-County Regional Two-Plan (with Kings and Madera)
Kings	10/1/07	3/1/2011 (Completed)	Tri-County Regional Two-Plan (with Fresno and Madera)
Madera	10/1/07	3/1/2011 (Completed)	Tri-County Regional Two-Plan (with Fresno and Kings)
Marin	4/01/08	7/1/2011 (Completed)	COHS Joining Partnership Health Plan of California
Merced	10/1/07	10/01/2009 (Completed)	COHS Joined Central California Alliance for Health
Lake	4/01/08	To Be Determined	COHS Joining Partnership HealthPlan of California
Mendocino	4/01/08	7/1/2011 (Completed)	COHS Joining Partnership HealthPlan of California
San Luis Obispo	4/01/08	03/01/2008, (Completed)	COHS Joined Santa Barbara Regional Health Authority (dba CenCal Health)
Sonoma	4/01/08	10/01/2009 (Completed)	COHS Joined Partnership HealthPlan
Ventura	4/01/08	7/1/2011 (Completed)	COHS Gold Coast Health Plan (New COHS plan)

GMC = Geographic Managed Care  
COHS = County Organized Health System